

EXHIBIT 1

INTRODUCTION

At all relevant times, Respondent PS Eco, Inc. dba PS Enterprises (“Respondent PS Eco”) was a registered lobbying firm located in Los Angeles County and Respondent Joseph “Rick” Ruiz (“Respondent Ruiz”) was a registered lobbyist and the vice president of PS Eco. The lobbying provisions of the Political Reform Act (the “Act”)¹ require registered lobbying firms to file quarterly reports, disclosing specified information about their lobbying activities.

This matter arose from an audit performed by the Franchise Tax Board for the period of January 1, 2003 through December 31, 2004. The FTB audit report found, and the Enforcement Division confirmed, that (1) Respondent PS Eco failed to timely file two paper and two electronic lobbying firm reports during calendar year 2004, (2) Respondent Ruiz failed to file two quarterly lobbyist reports in paper and electronic format during calendar year 2004, and (3) Respondent Ruiz made a prohibited contribution to a candidate for state assembly while registered to lobby the California State Legislature.

For the purposes of this stipulation, Respondents’ violations of the Act are stated as follows:

Respondent PS Eco **(Counts 1 and 2)**

COUNT 1: Respondent PS Eco failed to timely file a paper and an electronic Report of Lobbying Firm (Form 625) for the quarter ending March 31, 2004, by the April 30, 2004, due date, in violation of Sections 86117, subdivision (a) and 84605, subdivision (d).

COUNT 2: Respondent PS Eco failed to timely file a paper and an electronic Report of Lobbying Firm (Form 625) for the quarter ending June 30, 2004, by the August 2, 2004, due date, in violation of Sections 86117, subdivision (a) and 84605, subdivision (d).

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

Respondent Rick Ruiz
(Counts 3 and 4)

COUNT 3: Respondent Ruiz failed to timely file a paper and an electronic Lobbyist Report (Form 615) for the quarter ending March 31, 2004, by the April 30, 2004, due date, and for the quarter ending June 30, 2004, by the August 2, 2004, due date, in violation of Sections 86113 and 84605, subdivision (d).

COUNT 4: Respondent Ruiz made a contribution to a candidate for California State Assembly while registered to lobby the California State Legislature, in violation of Section 85702.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (b) is to ensure that the activities and finances of lobbyists are disclosed, so that improper influences are not directed at public officials. To that end, the Act sets forth a legal framework that requires registration and reporting by individuals and entities that make or receive payments for the purpose of influencing legislative or administrative action. "Influencing legislative or administrative action" means supporting, promoting, influencing, modifying, opposing, or delaying any legislative or administrative action. (Section 82032.) "Legislative action" includes the drafting, introduction, consideration, modification, enactment, or defeat of any bill, report, nomination, or other matter by the Legislature. (Section 82037.) "Administrative action" includes the proposal, drafting, development, enactment, or defeat by any state agency of any rule or regulation. (Section 82002.)

Lobbying Firm

One feature of the lobbyist reporting system is that any person who qualifies as a "lobbying firm" is required to file periodic paper reports containing information about the lobbying activities being conducted. (Section 86114.) A lobbying firm is such a person if it meets either of the following criteria:

“(1) The business entity receives or becomes entitled to receive any compensation, other than reimbursement for reasonable travel expenses, for the purpose of influencing legislative or administrative action on behalf of any other person, and any partner, owner, officer, or employee of the business entity is a lobbyist.

“(2) The business entity receives or becomes entitled to receive any compensation, other than reimbursement for reasonable travel expenses, to communicate directly with any elective state official, agency official, or legislative official for the purpose of influencing legislative or

administrative action on behalf of any other person, if a substantial or regular portion of the activities for which the business entity receives compensation is for the purpose of influencing legislative or administrative action.” (Section 82038.5, subd. (a).)

Section 86114, subdivision (a) requires registered lobbying firms to file a quarterly report (Form 625) with the Secretary of State, disclosing the firm’s clients, payments received from each client, the firm’s activity expenses, and any contributions of \$100 or more made by the lobbying firm. Lobbying firms must attach to each report a completed and verified report by each lobbyist in the lobbying firm regarding that lobbyist’s activities. (Section 86114, subd. (a)(4).) Sections 86117 and 86118 require lobbying firms to file these reports with the Secretary of State four times per calendar year by the end of the month following each calendar quarter. A lobbying firm may only end its filing obligations by filing a termination or withdrawal statement with the Secretary of State.

Lobbyist

Section 82039 defines a “lobbyist” as an individual who receives \$2,000 or more in a calendar month, other than reimbursement for reasonable travel expenses, or whose principal duties as an employee are to communicate directly or through his or her agents with any elective state official, agency official, or legislative official, for the purpose of influencing legislative or administrative action. Section 86100, subdivision (a) states that “individual lobbyists shall prepare lobbyist certifications . . . for filing with the Secretary of State as part of the registration of the lobbying firm in which the lobbyist is a partner, owner, officer, or employee or as part of the registration of the lobbyist employer by which the lobbyist is employed.” Section 85702 prohibits a lobbyist from making a contribution to “an elected state officer or candidate for elected state office, if that lobbyist is registered to lobby the governmental agency for which the candidate is seeking election or the governmental agency of the elected state officer.”

Section 86113, subdivision (a) requires registered lobbyists to complete and verify a quarterly report (Form 615). This report must contain specified information about the activity expenses of the lobbyist, and about contributions of \$100 or more made or delivered by the lobbyist to any elected state officer or state candidate, during the period covered by the report. The lobbyist must provide the original the quarterly report to the lobbying firm within two weeks following the end of each calendar quarter. (Section 86113, subd. (b).)

To further regulate the influence of lobbyists, the Act prohibits a lobbyist from making a contribution to an elected state officer or candidate for elected state office “if that lobbyist is registered to lobby the governmental agency for which the candidate is seeking election or the governmental agency of the elected state officer.” (Section 85702.)

Electronic Filing

Beginning July 1, 2000, lobbying firms and lobbyists were required to file their quarterly reports in paper and electronic form if the total amount of any category of reportable payments, expenses, contributions, gifts, or other items was \$5,000 or more during a calendar quarter. (Section 84605, subd. (d).) Once a lobbying firm or lobbyist triggered the initial obligation to electronically file a quarterly report, all future quarterly lobbying firm or lobbyist reports were also to be electronically filed. (Section 84605, subd. (g).)²

SUMMARY OF THE FACTS

During 2004, Respondent PS Eco was a registered lobbying firm located in Los Angeles County. As a lobbying firm, Respondent PS Eco had a duty to file quarterly lobbying firm reports (Form 625) disclosing its lobbying activities. Respondent PS Eco neglected this duty by failing to timely file two paper and electronic lobbying firm reports during calendar year 2004.

Respondent PS Eco filed a Lobbyist Firm Registration Statement (Form 601) on February 4, 2003. On this form, Respondent PS Eco was required to list all clients on whose behalf the firm would be lobbying and attach the Lobbying Firm Activity Authorization Form (Form 602) completed and verified by each person who employs or contracts with the lobbying firm. No clients were listed on this form and no activity authorizations were attached. Since that initial filing, several government agencies and businesses filed Lobbyist Employer Reports (Form 635) and Lobbying Firm Activity Authorization forms (Form 602) listing Respondent PS Eco as the lobbying firm they employed. Respondent PS Eco did not timely file the required amendment to its registration statement (Form 605) once employed by these entities.

During 2004, Respondent Ruiz was a registered lobbyist for and vice president of Respondent PS Eco. As a lobbyist, Respondent Ruiz had a duty to file quarterly lobbyist reports disclosing his lobbying activities (Form 615). Respondent Ruiz neglected this duty by failing to timely file two paper and electronic lobbyist reports during calendar year 2004.

The table below lists and describes each of the lobbying firm reports not timely filed by Respondent PS Eco and the lobbyist reports not timely filed by Respondent Ruiz.

² In 2005, lobbying firms and lobbyists were relieved of the obligation to file the quarterly reports in paper form. (Section 84606.) Instead, beginning with the reporting period for January 1, 2005, through March 31, 2005, lobbying firms and lobbyists were only required to file reports electronically.

Count	Lobbying Firm or Lobbyist Rpt Not Timely Filed	Reporting Period	Due Date	Actual Filing Date	Number of Days Late	Amt Pd to Lobbying Firm By Reporting Period
1 (PS Eco)	1st Quarter (2004)	1/1/04-3/31/04	4/30/04	P 11/1/04 E 11/2/04	185 186	\$21,401
2 (PS Eco)	2nd Quarter (2004)	4/1/04-6/30/04	8/2/04 ³	P 11/1/04 E 11/2/04	91 92	\$36,120
3 (Ruiz)	1st Quarter (2004)	1/1/04-3/31/04	4/30/04	P 11/1/04 E 11/2/04	185 186	n/a
3 (Ruiz)	2nd Quarter (2004)	4/1/04-6/30/04	8/2/04 ³	P 11/1/04 E 11/2/04	91 92	n/a

In addition to the late filings, Respondent Ruiz made a \$100 contribution to the De La Torre for State Assembly committee on September 2, 2004, even though he was registered to lobby the California State Legislature. Section 85702 prohibited Respondent Ruiz from making contributions to candidates for the California State Legislature while he was registered to lobby the California State Legislature.

COUNT 1 Failure to Timely File First Quarter 2004 Lobbying Firm Report

During the first quarter of 2004, Respondent PS Eco received \$21,401, comprised of fees from San Gabriel Valley Water Company, Fontana Union Water Company, and the City of Alameda, to influence legislative or administrative action. Respondent PS Eco was required to file a first quarter 2004 lobbying firm report by April 30, 2004, for the January 1 to March 31, 2004 reporting period disclosing its receipt of these payments. Respondent PS Eco did not file the lobbying firm report by the April 30, 2004 due date.

By way of explanation, Respondents maintain that the statement was not timely filed because they entrusted PS Eco's former Chief Financial Officer David Barberis to ensure that this was done as part of his regular duties. They further maintain that it was not until approximately September, 2004, after they allegedly discovered other errors and omissions by Mr. Barberis regarding PS Eco's finances and business transactions, that they became aware of the delinquent filing.

Records obtained from the Office of the Secretary of State show that the delinquent statement was filed in paper on November 1, 2004, and filed electronically on November 2, 2004. By failing to timely file the first quarter 2004 lobbying firm report, Respondent PS Eco violated Section 86117.

³ Unless the deadline falls on a Saturday, Sunday, or official holiday, in which case the filing deadline is extended to the next regular business day. (Regulation 18116.)

COUNT 2

Failure to Timely File Second Quarter 2004 Lobbying Firm Report

During the second quarter of 2004, Respondent PS Eco received \$36,120, comprised of fees from San Gabriel Valley Water Company, Fontana Union Water Company, Indoor Tanning Association, and the City of Alameda, to influence legislative or administrative action. Respondent PS Eco was required to file a second quarter 2004 lobbying firm report by August 2, 2004, for the April 1 to June 30, 2004 reporting period disclosing its receipt of these payments. Respondent PS Eco did not file the lobbying firm report by the August 2, 2004 due date.

By way of explanation, Respondents maintain that the statement was not timely filed because they entrusted PS Eco's former Chief Financial Officer David Barberis to ensure that this was done as part of his regular duties. They further maintain that it was not until approximately September, 2004, after they allegedly discovered other errors and omissions by Mr. Barberis regarding PS Eco's finances and business transactions, that they became aware of the delinquent filing.

Records obtained from the Office of the Secretary of State show that the delinquent statement was filed in paper on November 1, 2004, and filed electronically on November 2, 2004. By failing to timely file the second quarter 2003 lobbying firm report, Respondent PS Eco violated Section 86117.

COUNT 3

Failure to Timely File First Quarter 2004 and Second Quarter 2004 Lobbyist Reports

Respondent Ruiz was required to file a first quarter 2004 lobbyist report by April 30, 2004, for the January 1 to March 31, 2004 reporting period. He was also required to file a second quarter 2004 lobbyist report by August 2, 2004, for the April 1 to June 30, 2004 reporting period. These periodic filings were required regardless of whether Respondent Ruiz had any disclosable activity. (Section 86113.)

Respondent Ruiz did not file either report by the respective due dates. However, the Enforcement Division investigation did not result in any evidence that Respondent Ruiz engaged in reportable activity during the relevant reporting periods.

By way of explanation, Respondent Ruiz maintains that the statements were not timely filed because he entrusted PS Eco's former Chief Financial Officer David Barberis to ensure that this was done as part of his regular duties. Respondent Ruiz further maintains that it was not until approximately September, 2004, after he allegedly discovered other errors and omissions by Mr. Barberis regarding PS Eco's finances and business transactions, that he became aware of the delinquent filing.

Records obtained from the Secretary of State's Office show that the delinquent statement was filed in paper on November 1, 2004, and filed electronically on November 2, 2004. Respondent Ruiz reported no activity for this quarter. By failing to timely file the first quarter 2004 lobbyist report, Respondent violated Sections 86113 and 84605, subdivision (d).

COUNT 4

Making a Contribution While A Registered Lobbyist

The Enforcement Division confirmed that the De La Torre for State Assembly committee received a contribution of \$100 from Respondent Ruiz on September 2, 2004, as reported in the committee's campaign statement. Respondent Ruiz was registered to lobby the California State Legislature when he made the contribution. The Enforcement Division confirmed that before it initiated its investigation of this matter in 2006, Respondent Ruiz had requested and received a refund of the contribution in 2005. Nonetheless, by making a contribution to a candidate for the California State Legislature while registered to lobby the California State Legislature, Respondent Ruiz violated Section 85702.

CONCLUSION

This matter consists of two counts against Respondent PS Eco, which carry a maximum possible administrative penalty of \$5,000 per violation, for a total maximum possible penalty of \$10,000. In addition, this matter consists of two counts against Respondent Ruiz, which carry a maximum possible administrative penalty of \$5,000 per violation, for a total maximum possible penalty of \$10,000.

Counts 1 and 2: Respondent PS Eco. The typical penalty for failure to timely file lobbying firm reports varies depending on the circumstances of the case. The harm inherent in this kind of violation is that the public is deprived of important information, such as the identity of the person ultimately seeking to influence legislative or administrative action and the amount of money expended by that person to influence such action.

In this case, Respondent PS Eco received but did not comply with several notices from the Secretary of State's Office regarding the delinquent filings. Although it appears that no one at PS Eco other than Mr. Barberis knew of the notices, PS Eco had a non-delegable duty as a lobbying firm to timely file required statements notwithstanding alleged employee errors and omissions. PS Eco filed the delinquent statements when Mr. Barberis' conduct was discovered and thereafter consistently filed timely reports up until the closure of the firm in 2006. In this case, the public harm is minimized since the majority of the government agencies and businesses who were clients of PS Eco timely filed Lobbyist Employer Reports (Form 635) listing Respondent PS Eco as the lobbying firm they employed. There is no evidence indicating intent to conceal the information

regarding Respondent PS Eco's lobbying activities. Under these circumstances, a penalty at the lower end of the penalty range in the amount of \$2,000 per count is appropriate.

Count 3: Respondent Ruiz. The typical penalty for failure to timely file lobbyist reports varies depending on the circumstances of the case. The harm inherent in this kind of violation is that the public is deprived of important information, such as the identity of the person ultimately seeking to influence legislative or administrative action and the amount of money expended by that person to influence such action.

In this case, Respondent Ruiz did not comply with several notices from the Secretary of State's Office regarding the delinquent filings. Although it appears that no one at PS Eco other than Mr. Barberis knew of the notices, Respondent Ruiz had a non-delegable duty as a lobbyist to timely file required statements notwithstanding alleged employee errors and omissions. Respondent Ruiz filed the delinquent statements when Mr. Barberis' conduct was discovered. Notably, it appears that there was no disclosable activity during the relevant reporting periods. Under these circumstances, a penalty at the lower to mid end of the penalty range in the amount of \$2,000 is appropriate.

Count 4: Respondent Ruiz. The making of a contribution to a candidate while registered to lobby that candidate's office is a serious violation of the Act, which is not fully mitigated by the eventual return of the contribution to Respondent Ruiz. As a result, a penalty at the higher end of the penalty range in the amount of \$3,000 is appropriate for this violation.

Accordingly, the foregoing factors justify imposition of the agreed upon penalty of \$4,000 against Respondent PS Eco and \$5,000 against Respondent Ruiz.